

Copy No. 43

January 14, 1953

MEMORANDUM

TO: The Honorable David K. E. Bruce, Under Secretary of State

SUBJECT: Draft "Evaluation of the Psychological Impact of United States Foreign Economic Policies and Programs in France." (PSB D-37)

I attach a draft of PSB D-37, bearing the above-quoted title, for consideration and appropriate action by the Board at its meeting on January 15, 1953.

This paper was developed by the PSB staff as an outgrowth of the parallel project [REDACTED] You 25X1B
will recall that, following Board authorization of the [REDACTED] 25X1B
evaluation on August 14, 1952, some thought was given to broadening that project to embrace Western Europe. Although that alternative was not adopted, I have had in mind the importance of U.S. economic policies and programs in this wider area, and I have therefore directed that this paper on France be developed in the staff. As in the case of the [REDACTED] it was written in frequent consultation with the Department of State and has benefitted by the Department's comments. 25X1B

I present this document to the Board for its consideration and request permission to distribute it to interested agencies for their information.

25X1A5a2
[REDACTED]

Director

Enclosure:

PSB D-37, dated January 14, 1953,
copy No. 43.

(Note: Identical Memoranda sent to Mr. Foster and General Smith.)

Security Information

CONFIDENTIAL

PSB D-37

January 14, 1953

COPY NO. 43

DRAFT

PSYCHOLOGICAL STRATEGY BOARD

WASHINGTON, D. C.

EVALUATION OF THE PSYCHOLOGICAL IMPACT OF UNITED STATES FOREIGN
ECONOMIC POLICIES AND PROGRAMS IN FRANCE

I. Statement of the Problem.

To evaluate the psychological impact of the United States foreign economic policies and programs in France against the background of the attitudes assumed by France since World War II towards its international responsibilities.

Page 1 of 32 Pages

Security Information

CONFIDENTIAL

~~CONFIDENTIAL~~

PSB D-37

DRAFT

January 14, 1953

II. Summary.

1. The United States is for the French the symbol of the modern economic world, which disturbs them, but to which they must adjust.

2. The example of the United States in economic affairs has a greater psychological effect in France than bargain or persuasion both in raising French ability to make the best use of its means and in bringing about a realistic adjustment of France's commitments to its politico-economic capabilities.

3. In the rearmament field the shift of emphasis from economic to military aid has achieved little psychological gain, since the French will to rearm was already present due to imperatives of power of which they were aware.

4. In order to foster economic progress, the United States example, notably through a carefully conducted productivity program, holds more psychological promise than American insistence on specific reforms which encounter deeply-ingrained economic behavior patterns and a general disinterest in economic affairs.

5. Where French commitments ought to be reduced, in the first place with regard to the French Union, United States economic policies may help create a psychological atmosphere in which the French will permit the native populations to play an effective part in the war against the Viet Minh.

6. United States economic policies have already contributed psychologically to lessen for France the cost of economic progress

Page 2 of 32 Pages

Security Information
CONFIDENTIAL

Security Information
CONFIDENTIAL

PSB D-37

January 14, 1953

DRAFT

and national security by enabling it to participate with Germany in European supra-national institutions.

7. Since psychological blocks continue to hamper the full effectiveness of these institutions, a United States example in the field of trade liberalization might well be the most effective means of encouraging France to expose itself to the incentive of world competition, and thus to adjust its economy to the requirements of the modern world and to the needs of the present struggle.

Page 3 of 32 Pages

Security Information
CONFIDENTIAL

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

III. Approach to the Problem.

1. Power in international life is control over the will of foreign nations. Warfare aims at curbing the will of a nation's opponents, at substituting one national will for another. In contrast, the main objective of our exercise of power through foreign economic policies and programs in the framework of the Western Alliance is to raise the willingness and the ability of our partners to shoulder common responsibilities and to defend common interests.

2. The psychological impact of economic policies is the extent to which policies succeed in increasing this willingness and in improving the psychological conditions of this ability. Our actions, attitudes, and programs elicit reactions of like or dislike, create an atmosphere favorable or unfavorable to our aims, determine changes in the behavior of our partners which serve or not the goals jointly agreed upon. An evaluation of the psychological impact of economic policies includes a judgment of these effects and of the methods used to call them forth, such as bargain, reason, or example.

3. The scope of such a study would be too wide if it were not focussed on the main characteristics and problems of the country where

Page 4 of 32 Pages

Security Information
CONFIDENTIAL

Security Information
CONFIDENTIAL

January 14, 1953

DRAFT

the psychological impact is sought. America remains for France the symbol of the modern world, and psychological problems between France and America reflect France's difficulty to adjust itself to the requirements of the modern world. Faithful to their concept of power, the French assume responsibilities beyond the means which their political and economic behavior permits them to realize. In these circumstances American economic policies aim at raising France's means first directly, and secondly, through influencing French behavior. Failing to bring about the psychological changes necessary to reach France's self-assumed goals, our policies may seek a reduction of France's commitments, an adjustment of these commitments to a more realistic view of the politico-economic capabilities of France.

IV. French Psychology and the Cold War.

1. American policies rest on a pragmatic approach and economic measures are the chosen instrument of these policies. The French mind rebels at pragmatism and subordinates economic considerations to political ones.

2. Thought is for the Americans a guide to action, and the proof is preeminently to be tested by the practical consequences of the belief. The Frenchman disassociates his thoughts from the facts. French "realism" is more reverence for logic than care for reality. Masters at handling ideas, able to grasp situations, and capable of producing very admirable plans, the French do not act consistently with their concepts nor are they diligent in carrying out their plans. The anti-clerical bourgeois used to send his wife to church and to let his daughter be educated in a convent; the landowner may vote communist without batting an eye; worker and employer may drink together and still be class enemies; engineer hate to "freeze plans" and to start production, since their main joy is to reach on the drafting board the perfect theoretical solution or, as they say, the "elegant" solution.

Security Information
CONFIDENTIAL

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

3. The French taste for "intellectual liberation", a schism between theory and practice - results in some of France's greatest spiritual achievements and also in some of its most conspicuous material failures. It explains France's skepticism and its suspicions of leadership and collective action. Proud of his concepts and capable of admiration for those of his neighbor, the Frenchman knows by bitter experience that these concepts rarely stand the test of practical application. Frenchmen of all classes are intellectual rather than active individualists. For them freedom to criticize is the touchstone of liberty.

4. Intellectual games are more enjoyable in the realm of "quality" than in the arena of quantitative measurements. The French in general are more at ease when they deal with political principles and dogma than with economic affairs. Whenever faced by economic issues they are wont to transfer the debate to the political plane and thus avoid the dire necessity of making practical decisions. In sharp contrast to American attitudes, the French adopt as their basic credo that of the primacy of political affairs.

5. In economic affairs the individual Frenchman is limited in his ambition, little conversant with the national interest, but, barring flight of imagination, a careful manager of his patrimony. The Frenchman is a strong believer in private property and watches his narrow interests carefully. It is often said that "the heart of the Frenchman is on the left, but his pocketbook is on the right".

6. In large economic affairs American pragmatism succeeds when the intellectual realism of the French fails, because it relies on trial and error rather than logic. But when experimentation is not available for a successful prosecution of a pragmatic approach, we become more idealistic - for better or for worse - than the skeptical French. Skepticism is alien to us, and in the absence of that quality there is little restraining

Security Information
CONFIDENTIAL

FSB D-37

DRAFT

January 14, 1953

influence on the development of our concepts. Frenchmen are impatient of any "moralistic" and "legalistic" aspects of our policies. Their legal tradition is different from that of the common law, and their ethics do not derive from a Puritan experience. We still hold that success is closely linked with goodness, whereas the French consider such an attitude as a form of hypocrisy. They separate sharply mundane interests and spiritual goals, and are shocked when other people do not make the distinction. They are prompt to accuse us of sanctimoniousness and "preaching". They are wont to imagine dark stratagems behind attitudes which they cannot explain.^{1/}

7. The intellectual individualism of the French precludes definite class attitudes among the French population, or national French attitudes universally endorsed. There exists, however, average national attitudes toward the problems of power, of the cold war, and of economic progress which derive from the traits of French character previously analyzed.

A. The French Concept of Power and the Cold War.

8. The French concept of power is deeply rooted in history; drawn mainly from past experience, it is comprehensive but somewhat rigid. Frenchmen of all classes instinctively evaluate the power of nations primarily in terms of historical development, strategic position, military strength, and cultural and spiritual influence. The role of economic resources comes last, and for that reason the claims of France to be still a great power is not a pretense, but the undisputed conviction of a large number of Frenchmen. The French rationalize this paradox with great ease. They emphasize their spiritual achievements and consider them as more important than their material losses. They rely

^{1/} As a Frenchman said, "When you approach us with economic proposals we think always that you have political ulterior motives, and when you approach us with political proposals we think that you must have some economic goal in mind". While we expect the French to behave as Americans, the Frenchmen expect Americans to behave simultaneously as Americans and as Frenchmen.

Security Information

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

implicitly on what they consider the debt owed them by the free world for having been early in the front line against totalitarianism. They are extremely conscious of the value of their strategic position in the present world, and of an American preference for French rather than German leadership in Europe. Nationalism is, if anything, increasing in today's France. The feeling of being a "poor relation" of the United States is less acute in France than in the United Kingdom. Persuaded that the U.S. is as dependent on France as France is dependent on the U.S., France feels strong enough to be a "coordinate" rather than a "subordinate" member in the western complex of nations.

9. This historical concept of power clarifies France's attitude towards the cold war. The main threat remains that which past experience has revealed. The memories of many German invasions are still the determining factor. There is a general tendency to rationalize the Russian threat in terms of preoccupation with Germany. The French point out the possibility of a dread renewal of the Rapallo Agreement and of the Russian-German alliance of 1939. They feel that a close understanding with Germany might entangle them in a German struggle with Russia over the lost East German provinces, or, conversely, that Russia might start a war to prevent German rearmament. Since the Versailles Peace Conference, the French have continuously warned the other Allies against the danger of Germany's revival, and they are loath to recognize their part in past revivals of German aggressiveness.

10. If Germany is for the French the main threat to their power, the French Empire, the French Union, and other possessions or protectorates remain the main psychological buttress of their world position. The French Empire is at present a drain on French resources, but nationalism grows when French power ebbs and attachment to the overseas dependencies is not in proportion to the yield but in proportion to the cost. The French acquired their Empire more or less against the will of the majority, by the efforts of a few strong-willed military men like Gallieni

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

and Lyautey, whose motivation, conscious or not, was to secure a reservoir of manpower to bolster France in a European war. The present concept of the Empire derives from this narrow military preoccupation, but it transcends it. It is not so much the potential benefit of overseas territories, but the liability itself which becomes an integral part of the French concept of power, of a patrimony which France cannot renounce without losing its self-respect.

11. These preoccupations with Germany and with the Empire determine the French position towards the external threat of communism. France fights the Viet Minh not^{only} to contain communism but to maintain the integrity of the French^{Union.} France rearms in Europe not only to deter a Soviet aggression but to keep a power edge over Germany. However the versatility of French attitudes toward communism should not mislead us. The French Communist Party makes common cause with Moscow, but many adherents begin to vacillate when the FPC asks for a pledge of non-resistance to the Red Army. Some intellectual neutralists hope to ward off the conflict by incantations. Others still dream of a third force able to strike a balance between the United States and Russia. At the end of the political spectrum, deGaulle sometimes accuses the United States of appeasing Russia. These opinions illustrate the French freedom with intellectual concepts. They are not guides for action.

12. "The French view", according to Mr. Fleven,^{1/} "the view of people who live on the Continent of Europe, is that when a big country has big armaments you need at least a shield, whatever you may think about the likelihood of an attack. Our duty is to build that shield." The necessity of "precautions" is recognized, but also that of not giving offense to Russia. The French Government does not feel that France can achieve its political goals outside of the Western alliance. But the French understanding and feelings of the immediate Russian

1/ U.S. News and World Report, November 28, 1952.

Security Information

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

danger are many degrees below our own, and there is considerable anxiety lest "some American miscalculation" might bring to them the Russian attack which we try to deter. A more acute realization of the Soviet threat might paralyze the French in their exposed position. The French have to live dangerously, but it is not certain that greater consciousness of the danger would scare them into action. It might throw them into despair. The fact that we have not impressed the French with a stronger sense of urgency in the cold war might not be a completely negative factor.

B. The French Relation to Power and the Problem of French Communism.

13. In their own relation to power the French show the same skepticism as in international affairs. The Anglo-Saxon concept of the State as a commonwealth is alien to them. They cannot conceive pragmatic compromises between freedom and authority. "Their two-fold revolt against ancien regime absolutism, that of the Church and that of the Throne, has left them without an intellectual concept of an authority which could be liberal, or of a freedom which could be constructive." ^{1/} As a result, the French have continued to live after the Revolution in opposition to the State. Opposition finds its justification in a multiplicity of doctrines and theories supported by as many powerless political parties. The political struggles center always on ideologies, and ideologies can be skillfully manipulated by vested interests. As Robert de Jouvenel wrote; in France "politics are the hobby of men, they are not the condition of their lives". Principles, political discussions, motions and resolutions are more real things than laws and practical issues. Politics are part of the free-for-all of intellectualism; the struggle of opposed doctrines is not incompatible with a certain amount of political stability, but it contributes to economic decadence.

^{1/} A. Siegfried: L'Ame des Peuples, pp. 64 and 65.

CONFIDENTIAL

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

14. In spite of Cabinet changes, French politics are showing as great continuity under the Republics as in the past. Today as yesterday they have their center of gravity in the Radical-Socialist Party, and Radical-Socialist policies remain those of the Capetian Kings: opposition to the Central European power in external affairs, efforts to curb large combinations of economic or spiritual power in internal affairs. In evaluating the psychological impact of our economic policies, it is necessary to give credit to the French political forces and attitudes no less than to the economic improvement resulting from U.S. economic aid for a decline in the internal communist threat.

15. The communists, who after the second World War had monopolized the prestige of the Resistance, were expelled from the Government before Marshall aid was extended to France. When the communist threat reached its climax, counterforces arose under the leadership of deGaulle and the communist / ^{strike call} of December 1947 was thwarted by the energetic action of the Interior Minister Jules Moch. Although communist propaganda is cleverly twisted to adjust to the taste of the French for intellectual freedom, to their patriotism, and to their attachment to private property, such acrobatics make it difficult to tell whether Frenchmen really embrace the party line or vote communist out of social protest. The natural French disassociation of theory and practice subjects communist imperatives to a severe test. Each revival of a direct internal threat will call forth a coalition of counterforces, which, barring the force of the Red Army, is likely to prevent a communist coup d'etat.

16. Communism remains, however, the party of the working class, and retains its capabilities for sabotage and subversion. These capabilities will be the greatest in case of a war in Europe. At the very least communism absorbs in France energies which should be mobilized for the national interest instead of against it, even if ineffectively so. The influence of the PCF might be / ^{further undermined by} an improvement in the distribution of the products of labor, but the French attitude toward the State and the French

Security Information
CONFIDENTIAL

Security Information
CONFIDENTIAL

PSB D-37

January 14, 1953

DRAFT

economic behavior are still raising serious obstacles against such an improvement.

C. France's Economic Stagnation and Attitude
Towards America.

17. The most significant results of a French lack of community feeling and of the French type of internal power relations are the social inequalities and the demoralization which strike so strongly the American observer. Peguy already noted at the beginning of the century that the ambition of every Frenchman was to cheat the tax collector. The hatred of the "agents du fisc" dates back to the Monarchy and increased during the German occupation. It appeared patriotic then not to pay taxes. The same attitude explains the conspicuous failure of "physical controls": price controls, rent control, and rationing, as well as the eagerness of every citizen to forsake the common good and to secure advantages from the common patrimony. Behind the conflicts of ideologies, the French State is the prey of all classes of society.

18. Lacking a serious interest in economic issues, the French have let their economic structure develop as a means of protecting narrow vested interests. Faced with the necessity of reforms under the impact of the modern world, the French State is constitutionally incapable of carrying out these reforms. No combination of parties can form a government strong enough to face the unpopularity of major changes. Nor can the trade unions obtain peacefully the desirable improvements in the workers' lot since their trend is to secure changes through political means, through a conquest of power, rather than through the painstaking effort of collective bargaining.

19. The greatest misfortune of France has been its ^{relative} self-sufficiency in material resources and its ^{relative} lack of dependence on the world market. Economic pressures from the outside could always be resisted by protectionist measures. Lacking large requirements for foreign supplies, the French neglected foreign outlets. Lacking foreign competition and

~~CONFIDENTIAL~~DRAFT

January 14, 1953

feeling little incentive to compete, they did not develop a specific sense of national economic interest as the British did. They bogged down in a form of economic conservatism which they confuse with capitalism. France's economic growth was frustrated after the Industrial Revolution by the individualistic qualities of ancien regime craftsmen. The comparative success of France in avoiding the worst effects of the great depression confirmed the illusion of self-sufficiency and the confidence in protective measures. The "Revolution Nationale" of Petain with its "corporative" philosophy put the final touch to a restrictive economic system more kindred to the medieval guilds of small productive units than to the German and international combines or cartels to which it is often compared.

20. Since the world developed on an American rather than a French scale, French attitudes toward America are the logical consequence of their resistance to the pressure of the modern world. They dislike our economic approach, and our taste for risks, bigness, and competition, although they realize that French savings have faded away and that a leisurely economic behavior is a thing of the past. They resent the competition of the American soldier for lodgings, although they realize that in the present struggle France is not secure without GI's and American air bases. They look askance at American culture, although their own artists do not hesitate to borrow from it, and although their youth longs for the only country where adventure is still possible.

21. Superficial manifestations of French irritation are not dangerous forms of "anti-Americanism". The international relations of power are such that the French need a safety valve for their pent-up emotions. We do not require subservience nor love, but the cooperation of partners, and the French need from time to time a verbal test of their "coordinate" rather than "subordinate" position in the Western Alliance. To a certain extent manifestations of French petulance are a proof of a stronger morale.

Security Information~~CONFIDENTIAL~~

January 14, 1953

22. French attitudes are a matter of concern only to the extent that they reveal an incapacity to adjust to the modern world, and to the extent that they complicate our efforts to help the French raise their economic means to the level required by the political responsibilities which they have assumed.

V. Psychological Impact of U.S. Assistance.

1. The objective of U.S. assistance is to bridge the gap between France's commitments and France's capabilities. Through loans or grants France receives in the first place the civilian and military commodities which it needs and which it could not acquire on its limited resources.

But no amount of subsidy efforts can be substituted for the can replace the will of the recipient. The conditions attached to the American subsidy and the methods used for its administration are intended to drive the beneficiaries to greater production and greater productivity, as well as to foster a stronger will to survive as a nation. To what extent did our aid policy change the French economic behavior and support the French intent to rearm?

A. U.S. Aid and French Recovery.

2. A view is held in some French left-wing non-Communist circles that U.S. assistance extended since the Liberation did not strengthen but rather weakened France. If dollars had not been made available, France, according to that theory, would have been forced into the reforms and the social changes which are still overdue. As a result France would have now a healthier political and social climate. Perhaps a French government able to apply rigid controls, to captivate the imagination of the people, to cut back overseas commitments, and to renounce military power, might have dispensed with U.S. assistance. But the proponents of this theory held a false view of France's morale and capabilities after the Liberation. More misery would not have made war-weary

DRAFT

January 14, 1953

Frenchmen more productive. The socialistic remedies applied in England - a much more disciplined country - did not make England independent of U.S. assistance. The abandonment of France's overseas commitments and French disarmament were not in the interest of France. After an early refusal to accept UNRRA aid, no responsible French government raised any doubt about the need for an American subsidy.

3. Other non-communist objections against the Marshall Plan come from specific interests. The farmers complain that industry is favored at their expense, labor claims that management gets all the profits, and the smaller industrialists pretend that too large a portion of assistance goes to large steel companies or nationalized enterprises. Little conscious of the over-all national interest, the French are bound to make such complaints, which are addressed more to the French government primarily responsible for the internal allocation of assistance, than to U.S. authorities. These complaints do not impair the psychological impact of economic assistance. On the other hand there is no strong French interest hurt by the various provisions of the Marshall Plan aiming at the protection of the American economy, such as the 50 percent portion of bulk commodities to be carried in U.S. ships. The restrictions on East-West trade imposed by the Kem and Battle Amendments do not elicit significant unfavorable reaction outside of communist circles, and comments on these matters in the French press are highly reserved. As a whole, ERP was most favorably received.

4. In fact the direct psychological impact of assistance is deliberately limited by law. The individual Frenchman pays for U.S. commodities and services in his own money, in his own "local currency", and, in the case of ERP grants, the government uses this local currency (counterpart) in agreement with the United States. As a result only those few Frenchmen who understand the intricacies of the aid machinery can recognize the extent of their national obligation. The individual Frenchman does not have the immediate experience of owing anything to

DRAFT

January 14, 1953

the United States. This is as it should be, since we do not expect gratitude but an uplift of morale resulting from economic improvement. Such improvement, due in part to the amount of the aid, in part to the careful programming of the aid, and in part to the efforts of the French themselves, has increased the nation's self-reliance. It has contributed to a decline of communist influence and it has made rearmament possible.

5. Besides the effect of the aid itself, an impact is expected from auxiliary policies, the objective of which is to influence French economic behavior. United States economic assistance is extended under the condition that financial stability will be maintained and investment conducted on a sound economic basis. The success of these conditions, as applied by our representatives, illustrates the scope and the limit of our psychological influence.

6. In 1947 open monetary inflation was the major French problem. The United States subsidies were in themselves anti-inflationary since they increased the French commodity supply. But this was insufficient to meet the pent-up demand for consumption and for the ambitious investment program known as the Monnet plan. Since investment was necessary to raise French production, and since physical controls on consumption are ineffective in France, financial controls had to be resorted to. Current expenditures of the government had to be cut, and bank credit had to be placed under more stringent controls than in the past. The counterpart provision of the Marshall Plan afforded to the United States government a means of conquering widespread resistance to the most urgent reforms. Our representatives agreed that the counterpart would be transferred to the investment fund only if anti-inflationary measures, even unpopular ones, were taken. As a consequence a ceiling on the Bank of France advances to the State, and "quantitative" credit controls were established. Although our representatives urged the government for more fundamental reforms, such as that of the nationalized enterprises and

Page 16 of 32 Pages

Security Information
CONFIDENTIAL

DRAFT

January 14, 1953

that of the tax system, they met with little success in these fields.

7. None of the measures which our representatives proposed were news to the French Treasury officials. These officials had only missed sufficient backing on the part of their government to surmount the opposition of the interests dependent on budgetary liberalities and free extension of bank credit. The mild pressure placed on the French government supplied this backing with little risk of increasing U.S. unpopularity since the French public lacked interest in these complicated matters. But the counterpart leverage was not sufficient to put into effect reforms which the French government did not want, nor was it possible, in order to do so, to discontinue the dollar assistance.

8. The limits of our influence on French economic behavior were not generally recognized. The importance of the counterpart leverage was exaggerated, and the many specialists who had a say in French affairs tried to use it for a variety of ends. By applying counterpart funds to "real things" and productive projects instead of manipulating them for financial objectives, some experts hoped to hasten the process of French development, and to promote reforms in the social structure. Agricultural specialists had in view the financing of an extension service, and labor specialists wanted to build workers' homes. Other economists claimed that we had too easily accepted the Monnet Plan, that the industrial development envisaged therein duplicated in some cases facilities already existing in France or abroad and could be operated in the future only at the price of internal and external restrictive practices. They thought that counterpart negotiations should involve an over-all review and "coordination" of investment plans. There was some merit in all these claims, but it was not possible to listen to all of them without dispersing our efforts, minimizing the impact of our aid, and incurring the reproach of "meddling" into French affairs.

9. In the short period of time imparted it was not possible to do more than to accept the French plans and to support the most reason-

DRAFT

January 14, 1953

able French policies. We could not expect to discover and succeed in promoting revolutionary remedies for all French failures. In fact a tendency to seek final solutions for the French problems in a variety of fields led us to keep on the job a large body of experts who tried to attack the problem of French recovery from many angles with little coordination among these dispersed efforts. As a result the United States failed to speak with one voice in Paris, and the French officials, at first bewildered, learned quickly how to take advantage of our confusion.

10. Our present productivity campaign is a more subtle method of influencing French behavior. It rests on an accurate estimate of France's main economic weaknesses, the backwardness of its industrial methods in many fields, the lack of teamwork between labor and management, the immobility of capital and labor, and the absence of competitive spirit. The ECA productivity campaign was launched in 1951 when it appeared that rearmament goals and social improvements required something more than plain assistance to be carried out simultaneously. The aim of the campaign is two-fold. It is in the first place to bolster production and reduce costs through a reform of industrial methods, and, in the second place, to enlist the workers' interest in the fight against communism by letting them share in the benefits of productivity.

11. There is unfortunately no group of government officials ready to endorse the campaign. Many French businessmen are hostile to the adoption of productivity methods and feel that their present processes, at least in the short run, allows them a degree of independence from interference and a profit margin which American businessmen no longer have. Labor remains disillusioned by several attempts to imitate U.S. productivity methods in the past. It remains attached to time-honored ways of doing things, it fears too fast a work cadence, overwork, technical unemployment, and suspects that in the present social context a fair sharing of the fruits of productivity cannot be expected.

Page 18 of 32 Pages

Security Information
CONFIDENTIAL

DRAFT

January 14, 1953

12. Productivity methods are to be sponsored by Trade Organizations and Labor Unions united in Labor Management Councils, and the sharing of benefits should be bargained for within these Councils. But Trade Organizations are generally the most refractory to change of all French organizations, and non-communist Labor Unions are either weak or little prepared to bargain for specific economic goals. French labor is more anxious to obtain the recognition of broad political principles regarding the sharing of benefits than to take practical steps to increase productivity.

13. The great interest shown in France for the productivity idea, the number of newspaper articles and monographs written on the subject, and the debates which it raised, contrast with the sporadic improvements realized. Many workers and entrepreneurs come back from the United States with great enthusiasm for the work and labor-relation methods which they saw. Many intelligent comments are made, and some industrialists go ahead on their own, improving with striking success methods of production, working conditions, wages, and labor relations. These efforts remain isolated. The campaign has appealed to the "realism" in the French mind, but the psychological impact has made only a limited inroad in accepted French economic attitudes, for education cannot replace incentive.

B. Military Assistance.

14. The free world's decision, taken in 1950-51 to shift the emphasis in Europe from recovery to rearmament was a political decision based on an evaluation of Soviet intentions. The American decision to shift progressively from an economic to a military form of aid - to substitute military equipment for general commodities - was an economic decision which did not necessarily follow the political premises. If militarily feasible a different economic policy might have been equally, or more, successful in supporting the rearmament goals, both economically and psychologically.

It is doubtful if the French were more willing to undertake a

DRAFT

January 14, 1953

military effort and whether the psychological conditions of their effort were improved because they were furnished military aid in kind.

15. The habit ingrained in our assistance policies to extend assistance in kind corresponds to a feeling that we can prevent foreign countries from using our aid on non-essentials or that we can oblige them to use it for what we deem to be essential. But the effectiveness of that type of aid programming is limited. Since assistance is only a part of the total resources of a country, substitutions are possible between commodities supplied as a subsidy and those which a country acquires through its own resources. If the subsidy is comprised of military commodities, it does not necessarily increase the military effort of the country. These military commodities may simply replace some which the country would have bought from its own resources if the will to rearm, independently from assistance, had been strong enough. "Whether its effect is to increase the supply of lumber, cotton or machinery, and whether it ultimately finds its way into an increase in consumption, in capital investment, in government expenditures for rearmament, or simply in the gold reserve of the central bank, is decided not by the composition of the subsidy, but by the actions of the receiving country."*

16. The objective of an extension of assistance in kind is presumably, therefore, to influence psychologically the actions of the receiving country. Our objective may be to impress France with a sense of military urgency, to convey to them in tangible form the fact that our main preoccupation is rearmament. We may think also that a contribution of the United States to a joint military effort is for them a more palatable form of assistance than an economic subsidy which may smack of charity. We may expect that the words "military aid" have a certain magic of their own and can achieve, psychologically, what the "composition

* Richard M. Bissell Jr., Foreign Aid, Foreign Affairs, October 1952. Although the sense of Mr. Bissell's remarks seems to be that a differentiation between economic aid and military aid has little economic effect, he considers such a differentiation as justified in practice, presumably for psychological reasons.

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

of the subsidy" cannot do economically, namely, orient French efforts towards rearmament. Some of these favorable psychological developments would have taken place, if, prior to the shift, the French had made themselves, at least temporarily, independent from economic assistance. Since this was not the case, certain types of so-called military assistance such as "defense support" and "offshore purchases" were often a cover for economic assistance. Since France's awareness of its dependence on the United States did not decrease, one psychological effect of the shift did not take place. The French did not enter a heightened form of partnership: their impression was that they were rearming at America's behest rather than in their own interest.

17. The hope of influencing French actions by changing the name of the assistance led to curious decisions. A good example is that of the counterpart provisions of the old Economic Cooperation Act which, as indicated previously, gave to the U.S. some leverage over French behavior. Thinking now that we can increase the French military effort by using the counterpart for military purposes, Congress directs that a large portion be earmarked to that effect. In fact this new provision deprives the U.S. government of its leverage without corresponding gains since the provision is now satisfied each time the French spend the counterpart for any kind of military production, whereas under the old system there was the alternative of withholding or releasing the counterpart and a possibility of scrutinizing its use.

18. In the last analysis the question arises whether or not it was necessary to convey to the French in a tangible form the importance we attached to rearmament. In 1950 France was under strong incentives for undertaking a military effort. One of the strongest motivations arose from their concept of power and their attitude toward Germany. They felt that if France did not deliver the military contribution expected from them for the defense of Europe, the United States would, reluctantly perhaps, turn to Germany. France, according to the French

Security Information
CONFIDENTIAL

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

view, had a great power's responsibility and could not stay behind the other great powers at that time of crisis. The French mind is capable of explaining away the sense of economic dependence upon the United States, but the evidence of an increasing military lag would have brought home the loss of France's international position, and this the French mind could not accept. The inspiration and the motivation for French rearmament came not from the fact or form of assistance, but from example - the example of the U.S. and the impending example of Germany. True, without a certain scale of assistance (regardless of its composition) the French military build-up could not have taken place, but France had a strong desire to undertake it irrespective of U.S. aid. This desire came primarily from considerations of national power. This conclusion is confirmed by Mr. Jules Moch's proposal in 1950-51 to equip some 29 French divisions.

19. If France had the incentive to rearm, a change in the form or kind of aid, a shift from "economic" to "military" aid was justified only as a means of adapting assistance to its new function, for instance, by improving the psychological conditions of the military effort. This is what the methods used to extend military aid do not seem to have achieved since they placed an excessive emphasis on bargaining and burden sharing. A military effort is predicated mainly on the will of a nation and not on considerations of burden-sharing with its partners. If that will is strong, a good performance in the field of military preparation depends on the possibility of long-range planning and not on the expectation of a larger subsidy.

20. In order to plan, the French needed some forewarning of the amount of assistance which they could expect. In fact, during the course of the military program they were never in a position to plan for more than six months in advance. Not only aid appropriations had to be approved by Congress on a yearly basis, but the non-coincidence of the U.S. and French fiscal years, and delays in the delivery of military

Security Information
CONFIDENTIAL

Security Information
CONFIDENTIAL

FSB D-37

DRAFT

January 14, 1953

commodities interfered or appeared to interfere with French military plans. Delays in the firm allotment of economic aid and in the delivery of civilian commodities do not affect governments since this type of transactions is undertaken by individual importers. But when military aid is given in kind, a lack of coordination between the schedule of delivery and the plans of the recipient may provide endless ground for complaint.

21. As a result of our anxiety to obtain commitments from the French, we try to negotiate as early as we can the total amount of their yearly defense expenditure corresponding to the total amount of assistance we can give them. This has two unfortunate results. In the first place the French military effort becomes subordinated to U.S. assistance. The French feel that they are rearming not so much in their own interest as in order to get a larger share of our subsidy. In the second place, United States representatives do not know at the time of the negotiations what final amounts Congress will authorize. The French consider the upper limit of our figures as a firm commitment, and are disappointed when Congress decides to cut the aid. French opinion, which cannot be familiar with the intricacies of military aid negotiations, is sensitive to the kind of incidents resulting from cuts, apparent or real, in the level of aid, and the French government is prompt to take advantage of these incidents in order to stretch out its commitments.

22. At the same time the calculations undertaken to apportion the burden of rearmament among the NATO countries add to French preoccupation with comparisons - in which they can rate their own contribution favorably. Their military budget may be smaller than the U.S. budget even in terms of national income, but applying the principle of progressive taxation they can argue that their share is in fact greater than ours since their national income is smaller. Moreover, comparing the pay of their soldiers to that of American soldiers, the French cannot escape

Page 23 of 32 Pages

Security Information

Security Information
CONFIDENTIAL

FSB D-37

DRAFT

January 14, 1953

the conclusion that their real contribution to defense is much larger than their monetary contribution. Then economic calculations give reason to the French to argue themselves into a position of self-satisfaction with their present effort, at the same time that they are finding fault with our methods of aid allotment. The combination of both circumstances detracts from the psychological impetus with which they started their program.

VI. U.S. Economic Policies and the Position of France as a World Power.

1. At present the gap between France's commitments and France's capabilities is still wide. Failing to bring about the psychological changes necessary to raise France's means to the level of its self-assumed goals, our economic policies may seek a reduction of France's commitments, an adjustment of these commitments to a more realistic view of the politico-economic capabilities of the ^{French Union.} France makes its security goals more onerous than necessary when, pursuing an exhausting struggle in Asia against communism, it fails to enlist the full support of native nationalities, when taking the "necessary precaution" against a Soviet aggressor in Europe, it wants also to keep a power edge over a reviving Germany, when, trying to revive economically and to curb internal communism, it is loathe to change its inveterate intellectual political and economic habits. In order to accomplish the necessary adjustment overseas, in Europe, and at home, France requires American help and guidance.

A. France and the Empire.

2. The psychological content of the problem of the French Empire is exceptionally high. France's will to preserve its colonies transcends economic considerations, and vested interests would not succeed in preserving colonial and monopolistic ties if the dependencies were not the psychological buttress of French power. The attitude of France's subjects is dominated by spiritual aspirations: a will for independence which

Page 24 of 32 Pages

Security Information
CONFIDENTIAL

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

is not motivated by economic interest. The attitude of the United States is not based only on political judgments but also on the sentimental memories of its own emancipation. Many of these attitudes are ambivalent. If official France shows bad grace in giving independence to its subjects, it is France itself who taught them and still teaches them nationalism in its schools. Moslem and Viet Nameese leaders know that their economic well-being and even their survival may be dependent upon France's maintaining law and order. The U.S. is divided between its strategic interests in Europe, North Africa, and Indochina which rest on cooperation with France, and its fear that too much support to France's colonialism will arouse Moslem and Asiatic resentment. The American attitude is not understood by the French who still believe that colonial questions can be settled by the "mailed fist" and suspect us sub rosa of aspirations to an economic conquest of their dependencies.

3. Our economic policies with regard to the French Union have adjusted themselves to changes in French psychology. Since the beginning of the Marshall Plan we extended assistance to French colonies and protectorates, especially North Africa, only through the French Government itself. Public and private U.S. investments in the French dependencies were submitted to the French Government for approval. The Marshall Plan subsidy was calculated in such fashion that the French could cover the trade deficit of their colonies and carry out their investment programs overseas, even if these programs involved the export of French capital. The Marshall Plan consolidated, therefore, the fabric of the French Empire. Our economic policies were psychologically correct. An attempt to bolster the economies of Tunisia and Morocco independently from France would have raised an outcry of "economic imperialism" on the part of both French and Moslems.

4. The situation is different in Indochina, the main drain on the French economy, and French attitudes towards the Indochinese States, especially towards Viet Nam, is undergoing a change. Because ^{initially} France's

Security Information
CONFIDENTIAL

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

reasons for holding Indochina were not primarily to counter communism but to retain its place as a world power, the French were willing up to the present time to "go it alone". But now, while they refuse to discuss the North African situation at the U.N., maintaining the principle that it is an internal affair of France, they bring the Indochina problem to NATO, and they are happy to secure a statement of the Council that "resistance to direct or indirect aggression in any part of the world is an essential contribution to the common security of the free world and...that the valiant and continued struggle undertaken by France and the Associated States in Indochina...is in the fullest harmony with the aims and the ideals of the Atlantic Community". France is now willing and anxious to have its efforts in Indochina internationally recognized.

5. With the agreement of the French we let them use part of our economic and military assistance to support a holding action against communism which is less costly and less objectionable to us than a direct American intervention would be. At the same time we want to help the French prepare the Associated States for ^{a greater} self-dependence which we feel cannot be indefinitely postponed. While so doing, we must assuage the susceptibilities of the French, who proclaim a future goal of self-determination for the States of the French Union but keep holding as much of the real power as they can. We must pacify as well the impatience of the indigenous population and that of their neighbors of South and Southeast Asia. Although we would like more conclusive military operations and more decisive steps toward self-determination, we must limit our objectives and tolerate situations which are contrary to our policies, such as a continued favored position for the French businessmen on Indochina's markets, and the maintenance of an artificial rate for the piastre - a significant factor in French Treasury deficits and French financial instability.

6. Since the French have requested NATO's support, the problem is now to determine whether we should encourage the NATO countries as

CONFIDENTIAL

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

such to contribute material or men to the war against the Viet Minh, whether we should continue and increase our direct support of the French forces, or whether we should take ourselves a direct share in the military operations. Questions of American domestic opinion, cost, military strategy and psychological impact in the Asiatic countries are involved.

Although they would not accept such a solution in North Africa, the French seem ready to welcome it in Southeast Asia. But they can hardly expect to receive more assistance and continue to prosecute the campaign in a fashion which fails to captivate Viet Namese enthusiasm. France should be ready now to back its promises of ^{self-}dependence with action and to reform Indochinese finances, preparing in both ways a slow cutback in commitments which will eliminate one of the worst weaknesses of the present French situation.

B. France in Europe.

7. France cannot be relieved in the near future of the entire burden of the Indochinese war, but the prospect of a solution will improve its position in Europe. More ought to be done, however, to bridge the gap between France's commitments and its capabilities. France is afraid of German competition and German militarism. In fact France needs both: one to make Europe defensible and the other to bestir itself out of its economic complacency. The obvious answer is integration.

8. The goal of European integration was written in the preamble of the Economic Cooperation Act. It inspired the foundation of the Organization for European Economic Cooperation. Under American prodding, the OEEC played some part in various attempts to foster European cooperation and unity of purpose

Page 27 of 32 Pages

Security Information
CONFIDENTIAL

PSB D-37

DRAFT

January 14, 1953

through apportioning ERP aid, providing a forum for discussing financial stability, devising methods for intra-European payments, and prompting participating countries to lift quantitative trade restrictions. None of these measures removed the structural disequilibrium which is the result and the justification of protectionism. In fact the uneven recovery of the European countries, the very fast progress of Germany after the currency reform of 1948, and the amendment of the occupation statutes, defeated the efforts towards trade liberalization. France removed 75% of its quota restrictions, but at the same time reestablished or adjusted customs duties which had been suspended during the pre-war period or which after the currency depreciation had ceased to be protective. Later the French government, faced by deficits in its balance of payments, reestablished some of the quotas previously lifted.

9. The next step toward European unification was the establishment of supranational organizations aiming at "functional integration": the Coal-Steel Community of the Schuman plan and the pending European Defense Community. The Schuman plan mobilizes the fear of German military power against the fear of German economic power. Although the idea is French - an element of its success - it could not have seen the light if U.S. assistance had not provided the capital needed for the modernization and development of France's coal and steel facilities, thus permitting France to face with more equanimity Germany's competition.

10. The idea would not have survived without U.S. support. England did not want to join and was reluctant to see the project succeed independently. Steps had to be taken to prevent the Coal-Steel Community from being a continuation of the old steel cartel with its restrictive trade features. It was necessary to obtain from the partners of the Schuman plan countries in the General Agreement on Tariffs and Trade the permission to remove tariffs among the six participants. All these steps involved complex negotiations in which the U.S. had to play a part in

Page 28 of 32 Pages

Security Information
CONFIDENTIAL

January 14, 1953

order to maintain the original momentum of the idea, and in order to prevent deviations. Recognition of the Community by the U.S. led to its acceptance by the Europeans. Sometimes the action of the United States can be the most effective when it supports discreetly and firmly specific policies proposed by the people directly interested.

11. The establishment of supranational institutions to deal with international problems doesn't solve these problems automatically. In this particular instance the Franco-German conflict, which should have lost a great deal of its meaning as a result of the ratification of the coal-steel agreements, remains an important factor of European disunity, as recently shown by the dispute over the Saar. The Schuman plan was a first step toward economic union, itself a first step toward political union. The pitfall is that even the limited problems of functional integration raise political issues. The Community will either be paralyzed by these issues or will have to take the leadership toward radical changes in the structure of European sovereignties. An attempt is being made now in the latter direction. Subcommittees of the Schuman Plan Assembly have submitted the draft of a European constitution. This appears to be the most effective step already taken for solving political issues inherent in the Schuman plan for achieving the military goals of Europe and for overcoming France's and West Germany's hesitation to ratify the European Army Treaty.

12. Economic unity is the basis of the military build-up in Europe. The NATO countries started their military effort mainly on a national basis. Rearmament followed somewhat the pattern of economic integration, starting with unilateral efforts and continuing with a coordinated effort. France considers Germany as a potential threat, but the military goals of NATO cannot be accomplished without a German contribution. The European Defense Community is a compromise patterned after the Schuman plan but too hastily brought together under U.S. prompting to resolve psychological and political conflicts deeper than those raised by economic integration. It satisfies neither some of the

DRAFT

January 14, 1953

French military experts nor the French political parties. The French Assembly is likely to request amendments making it easier to guarantee French freedom to withdraw from the European Army those troops which might be needed to defend French overseas territories. The EDC will succeed only if the pressure of Empire needs are reduced and if new means are found of achieving cooperation between France and Germany.

C. U.S. Example

13. What other means exist of achieving European unity if supranational institutions do not succeed? The main hope of the proponents of the institutional approach rests on the example which the conduct of the U.S. can set for other nations when it participates in such organizations. When it permits other participants to scrutinize its finances, its military plans, or its trade policies, the U.S. promotes financial stability, stronger defense establishments, and trade liberalization. The idea therefore is that the U.S. example and not the appeal of supranational institutions is the dynamic force of the free world. If this is the case, the U.S. should not subject itself lightly to cumbersome procedures and renounce the advantage of flexibility. When it knows where to lead its partners, it might be to its advantage to proceed unilaterally. France, as we have seen in the course of this discussion, is more responsive to U.S. example than to bargaining or reason: it is our example which provided the impetus for French rearmament and the modest improvement in France's stability and productivity. On the other hand, France shows a tendency to use international forums to obtain recognition of its power rather than to reconcile concrete economic issues, and it minimizes in that fashion the practical usefulness of these organizations.

14. A cutback in France's overseas commitments, a beginning of "functional integration" in Europe, are steps in the right direction. But France will remain unable to contribute its true share to the

Page 30 of 32 Pages

Security Information
CONFIDENTIAL

DRAFT

January 14, 1953

economic and political strength of the free world unless strong incentives compel it to change its economic behavior. These incentives can only be the competition of its neighbors, especially Germany. France will accept this competition if the United States demonstrates by its own example that the era of protectionism is closed. The decision to remove our trade restrictions, to simplify our customs procedures, and to repeal the "Buy American" laws involve less risk and less cost than our past policies. If some of our industries are hurt, they can be compensated and their facilities converted at a cost below that of a continued indirect subsidization of our exports. European industries, especially French industries with their high costs, are not competitors which we should dread, and our trade liberalization may start with these commodities - especially French commodities - which compete the least with our own.

15. In the case of France the formula "trade not aid" should not be considered in its narrow economic terms. American trade liberalization will not solve the problem of the French dollar gap. It is the psychological impact of such a policy which is important. By eradicating a contradiction between our practices and our declared goals in the field of international trade, we will strengthen our moral position. We will weaken the French position which finds its best arguments in the maintenance of American protectionism. We will give greater force to the pressure of French consumers whose very direct interest is opposed to the traditional French policy. We will encourage also France's European trade partners to join their pressure to our own. France cannot remain the only protected country in Europe, and as soon as foreign competition begins to be felt, the French economic behavior will be altered. This competition will supply the incentive needed for changing uneconomic methods of production and distribution and for awakening the interest of French businessmen in foreign markets. Since their experience is limited,

Page 31 of 32 Pages

Security Information

~~CONFIDENTIAL~~

DRAFT

January 14, 1953

they will naturally turn towards their competitors for help and the economic integration of France and Germany will be sealed in a joint effort for the development of foreign outlets.

16. The French proposed recently a method for a progressive reduction of trade restrictions in the free world. When the technical merits of the proposals have been considered, it might afford us a new opportunity for backing French "realism" with American dynamism, conquer French resistance with a French idea, break the French "guild" system, and make France able to face the economic problems of the modern world. Unless we take advantage of such an approach there appears little chance for France to reach the level of economic progress which defense requires. France may be willing to surrender some features of its national sovereignty to international institutions as it did in the case of the Coal-Steel Community, but such surrender will continue to be hedged by exceptions, qualifications, and escape clauses. It is only the example of the leader of the free world which can show France how to abandon of its free will these tariffs and quotas which are the most powerful weapons of national sovereignty, but which in the world of today, where cooperation may be more necessary for survival than independence, defeat the very purpose of sovereignty itself.

~~CONFIDENTIAL~~

Approved For Release 2000/08/07 : CIA-RDP80-01065A000400090007-8

RESTRICTED

FREE

ROUTING AND RECORD SHEET

INSTRUCTIONS—Officer designations should be used in the "TO" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "TO" column. Each officer should initial (check mark insufficient) before further routing. This Routing and Record Sheet should be returned to Registry.

FROM:

Psychological Strategy Board (via PP/PP/PL)

NO.

Copy No.

43

DATE

TO	ROOM NO.	DATE		OFFICER'S INITIALS	COMMENTS
		REC'D	FWD'D		
1. PP/PP/PL	1018 K	JAN 14 1950		not file	
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					

B- 116

FORM NO.
JAN 1950

Approved For Release 2000/08/07 : CIA-RDP80-01065A000400090007-8

51-9

FREE

RESTRICTED

U. S. GOVERNMENT PRINTING OFFICE 16-62923-1

CONFIDENTIAL